

Corn: market outlook & specialized traits . . . Food prices . . . U.S. ag exports . . . APEC initiative . . . Turkey's financial crisis

Sluggish U.S. & World Growth Mutually Reinforcing

Global economic growth this year will be the slowest since 1993, and any rebound during 2002 is expected to be modest. The U.S. economy, the locomotive that pulled the world economy out of the 1997-98 financial crisis, is now stalled. Until recently, most analysts expected Europe to drive world growth, through rising imports from Asia and Latin America. But, given the effects of the U.S. slowdown, Europe in 2001 is now expected to be a drag on global economic growth. Lacking a developed-country engine, Asia's growth is expected to be slower than during 1998, the low point of the Asian financial crisis.

Corn Market to Strengthen in 2001/02

Corn prices are expected to strengthen in 2001/02 as ending stocks decline to the lowest level since 1997/98. U.S. corn production in 2001 is expected to drop 7 percent, pulled down by lower acreage and yields. Meanwhile, domestic use is forecast to reach a record high, and exports are expected to rise 2 percent as global use expands. The average farm price is forecast at \$1.95-\$2.35 per bushel, up from \$1.85 in 2000/0.

Food Price Inflation Should Moderate in 2002

Consumers' demand for beef, dairy products, and fresh fruits and vegetables coupled with reduced production of these food items have generated a larger increase in 2001 food prices than forecast earlier this year. Price increases in 2002, for these items and for food in general, are forecast to be moderate as supplies recover. The consumer price index for all food is forecast to increase 3.2 percent in 2001 and 2.5 to 3 percent in 2002. Total sales of food to consumers rose 7.4 percent in 2000, the largest increase since 1990. With slower economic growth in 2001 and perhaps in 2002, food sales are expected to return to the trend of 3- to 5-percent annual increases.



Production of Value-Added Crops: The Case of High-Oil Corn

U.S. corn producers have been relatively slow to devote significant acreage to the production of high-oil corn and other varieties with specialized traits that add value. This reluctance contrasts with the relatively rapid adoption of corn hybrids with specialized input traits such as herbicide tolerance. Producers cite falling premiums for high-oil corn relative to conventional corn as a major discouraging factor, the result of low prices for substitute products in feed rations. Other factors that have impeded planting include risks related to price, yield, quality, and market forces.

U.S. Agricultural Exports Forecast To Rise in Fiscal 2002

U.S. agricultural exports are projected to increase in value for the third consecutive year in fiscal 2002. Much of the gain is expected to be from sales of the major bulk commodities—corn, wheat, soybeans, and cotton. Record exports of horticultural products, such as fruits and vegetables, also are projected. Higher prices of wheat, corn, and soybeans would account for much of the gain in export value.

APEC's Food System Initiative: Opportunities for U.S. Agriculture

This month, APEC—the Asia-Pacific Economic Cooperation forum—holds its 13th Ministerial in Shanghai, China. An initiative of rising significance on APEC's agenda is the APEC Food System (AFS). AFS focuses not only on the importance of trade liberalization to the region's food systems, but also on the need for rural development. The U.S. stake in this initiative is large because it could affect many significant U.S. markets. In fiscal 2001, the APEC economies accounted for more than 60 percent of U.S. agricultural and food exports and 50 percent of imports.

Turkey's Financial Crisis: How Will It Shake Out?

Turkey joins Brazil and Argentina in a state of economic crisis at a time of global uncertainty. Because Turkey is a sizable market for certain U.S. agricultural goods, the ongoing financial crisis may affect U.S. exports. In the short run, U.S. exports to Turkey should decline as the crisis shrinks demand, with the *lira's* drastic fall making imports relatively more expensive. Longrun impacts of Turkey's problems may be mixed, depending not only on whether its economy recovers, but also on whether needed structural reforms in agriculture are implemented.

Tracking Wholesale Prices For Organic Produce

Organic agriculture is one of the fastest growing segments of the U.S. food sector. But collection of data (e.g., on prices) for this component of U.S. agriculture has lagged the industry's growth. Wholesale prices for organic produce are occasionally provided in Market News Service reports on wholesale fruits and vegetables, published daily by USDA's Agricultural Marketing Service and covering terminal markets in 15 U.S. cities, including Atlanta, Dallas, and Seattle. Boston is the only city for which Market News consistently reports organic prices. A more complete picture of industry price patterns will emerge if and when data become available for other terminal wholesale markets.